



Co-operative Housing Federation of Canada
Fédération de l'habitation coopérative du Canada

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BY COURIER

December 21, 2006

The Honourable John Gerretsen
Minister of Municipal Affairs and Housing
777 Bay St. 17th Floor
Toronto, ON
M5G 2E5

Dear Minister:

Re: "Uploading" of Ontario-Program Housing Co-operatives

We are writing to put forward a proposal for your government to consider as part of the Provincial-Municipal Fiscal and Service Delivery Review announced by the Premier in August. We are asking the Province to

- upload the cost and program control for Ontario's devolved housing co-operatives to the provincial level
- enter into an agreement with the Agency for Co-operative Housing for program administration, and
- amend the rules in the *Social Housing Reform Act* (SHRA) to provide a more effective program framework for housing co-operatives.

As we outline below, we believe that our proposal will address serious problems with the current program arrangement and have clear and significant benefits for the Province, municipal governments and housing co-ops.

Why we are making this proposal

The SHRA, passed in 2000 by the previous Provincial government, put in place a homogenized program framework for all types of non-profit housing -- co-operative, community and municipal -- and made municipal service managers responsible for program administration.

This arrangement hasn't worked well for housing co-ops or service managers.

For service managers, program administration of devolved housing co-ops has been extremely problematic, in spite of the development of good relations between them and our sector.

- Housing co-ops are fundamentally different from other parts of the social housing system. They are the only form of resident-controlled non-profit housing in Ontario. They operate under different governing legislation (corporate and landlord-tenant), have a different model of governance and, generally, have a very different operating dynamic.
- Community-based decision-making in co-ops and member expectations of involvement in decisions can present themselves as messy and complicated processes to program administrators.
- Dealing with co-ops and their members is a complex and labour-intensive business for service managers. This can result in unwelcome burdens and frustrations for municipal staff.
- The co-op model of member control can present some distinctive governance and management challenges that need specialized knowledge that service manager staff cannot be expected to have.
- In many service areas, housing co-ops represent a small minority of the total non-profit housing portfolio being administered. In eight areas there is only one co-op. In these circumstances it is unrealistic to expect service manager staff to be attuned and responsive to the different operating realities of housing co-ops.

Housing co-ops have struggled to succeed as member-controlled businesses and communities under the SHRA. Complex and prescriptive program rules, combined with the program administration challenges just noted, have compromised the ability of co-ops to direct their own affairs -- a characteristic that has always distinguished the co-op model and has been the cornerstone of its success. Co-ops deliver the best outcomes, both socially and financially, when member control is effective and the co-op is responsible for its own operating results. In the years since the SHRA was passed, co-ops have called on the Ontario government to make program changes so that the social and financial benefits of the co-operative model are not lost.

How our proposal would work

We believe that the best solution to these problems lies in changes to the funding and administrative arrangements that would free service managers from the responsibility to administer a form of non-profit housing that does not fit well with the rest of the social housing portfolio, restore the ability of co-ops to control their own affairs and provide for oversight and support by co-op specialists in the context of an accountability framework that protects the public interest.

Here are the key elements of our proposal:

- 1. Transfer financial responsibility and program control for the co-operative housing portfolio back to the provincial level.***

There are 252 co-ops and 21,300 units now under municipal administration. We understand that the annual cost to Ontario's municipalities for social housing is about \$800 million. The

co-op portfolio accounts for approximately 8% of that total. Under the proposed realignment of responsibilities this cost – about \$65 million - would be assumed by the Province. In addition the Province would be responsible for the cost of program administration by the Agency.

A breakdown of housing co-ops by municipal service manager is attached to this letter.

2. Enter into a contract with the Agency for Co-operative Housing for program administration.

The Agency was established in 2005 to assume responsibility for the specialist administration of the co-op housing programs outside Quebec that were in CMHC's hands.

It was set up for the specific and sole purpose of administering co-op housing programs. Its staff have strong specialized skills and years of experience in dealing with the challenges of managing resident-controlled housing communities.

The Agency is already administering the three federal co-operative housing programs in Ontario and other provinces under a long-term contract with CMHC. Altogether, this involves responsibility for almost 35,000 units of co-op housing, 18,920 of them in Ontario.

Under an administration contract between the Ontario government and the Agency, authority for policy formulation and key financial decisions would continue to reside with the Province, as it does with CMHC in the federal arrangement, while the Agency would take over the day-to-day program administration of the co-op portfolio.

More information on the Agency's model of program administration and its benefits is available on the Agency's website at www.agency.coop.

3. Amend SHRA rules to provide a more effective program framework for housing co-ops.

Some streamlining and rationalization of the program rules for co-ops as a part of the transfer process would help ensure its success. The separation of funding and program administration for housing co-ops from other parts of the social housing portfolio would make it much easier to design an operating and accountability framework that is suited to the co-operative model, providing benefits for both co-ops and government.

The benefits our proposal would bring

The proposed transfer of financial and administrative responsibilities for the co-op housing portfolio would represent a “win-win” solution with significant benefits for all the parties involved.

For service managers

The proposed realignment of responsibilities would result in substantial immediate and downstream savings in program funding costs for municipalities. It would also remove the liability that municipalities now have for unpredictable future program costs including the under-funded capital reserves of co-ops and increases in mortgage interest rates and property taxes.

Greater Toronto Area service managers outside Toronto would also benefit from a reduction in their share of pooling social housing costs.

A further benefit would be that the remaining social housing providers under municipal administration would have more in common and would be both simpler and more cost-effective to administer.

On a political level municipalities would be spared ongoing co-op pressure for regulatory and administrative reform necessary to allow co-ops to operate on a co-operative basis.

For the provincial government

The transfer of the co-op housing portfolio would afford the Province the means to provide municipalities with a significant but discrete measure of financial relief. A specialized solution for co-op housing issues would also likely make it easier to achieve consensus among other stakeholders on regulatory adjustments to address their concerns. At the same time, contracting with the Agency for Co-operative Housing for the administration of the portfolio would provide the Province with secure, expert program administration, obviating any need for the Province to re-establish this capability.

For housing co-operatives

Co-ops would benefit from simplified program administration arrangements where they would regain the ability to control the operations of their housing, while assuming greater responsibility for operating results. In the Agency for Co-operative Housing they would gain a program administrator with a strong understanding of co-operatives, prepared to provide pro-active, expert support where required, but also to allow co-ops to manage their own affairs, within the parameters of a robust accountability framework.

Under this model, co-ops’ trust in program administration would increase, resulting in a greater readiness to work together to find solutions when problems arise. This would be a benefit for government as well as co-ops.

Simplified program rules, better adapted to meet the specific needs of housing co-ops and more effective and efficient for government, would become much easier if program administration responsibilities were realigned.

Next Steps

When we met with you on September 6 we presented our proposal in a preliminary way and were pleased to receive your assurance at the meeting and in a follow-up letter that our “views on uploading the devolved co-ops will be taken into consideration”.

As the Provincial-Municipal Fiscal and Service Delivery Review proceeds, we would urge you to give our proposal very serious consideration. We believe that the approach that we are proposing, if adopted, would also allow Ontario-program housing co-operatives to realize their potential much more fully than they can under current program arrangements and provide a much more workable program funding and administration model for municipalities and the Province.

We would welcome the opportunity to meet with you and your staff at your convenience to explore our proposal further.

Yours truly,



Joseph Zebrowski
President
Ontario Council
Co-operative Housing Federation of Canada

cc Honourable Dalton McGuinty, Premier of Ontario
Honourable Greg Sorbara, Minister of Finance

Attachment:

- Ontario-Program Housing Co-operatives